

Montana Wheat and Barley Committee Summer Board Meeting
Swift Current/Hanging Gardens Conference Room, Red Lion Hotel, Kalispell
June 29, 2007
Kalispell, Montana

(Note: Please read entire set of minutes as various topics are referenced in more than one place.)

The following were present for either a portion of or the entire meeting.

DIRECTORS

Frank Schoonover	Don Fast
Melvin Goffena	Kim Holzer
Janice Mattson	Brian Kaae

EX-OFFICIOS

Marvin Blodgett, Grain Merchandiser; General Mills

STAFF

Kim Falcon
Cheryl Tuck
Kolleen Spurgin

GUESTS

Terry Whiteside, Freight Rate Consultant; Whiteside and Associates
Leonard Schock, Producer from Vida, Past MW & BC Director and Outgoing Chairman of U.S. Wheat Associates (USWA)
Joel Clairmont, MDA Acting Director and Administrator; Agricultural Development Division
Lola Raska, Producer from Fife and Executive Vice President of the Montana Grain Growers Association (MGGA)
Darin Arganbright, President; MGGA
Russell Nemetz, Ag Director; Northern Broadcasting System
Rebecca Coleman, Director of Policy and Government Programs; USWA

The regular Summer Board of Directors meeting of the Montana Wheat and Barley Committee (MW & BC) was called to order by Chairman Frank Schoonover at 12:07 p.m. The tentative agenda was approved after removing one topic from the Executive Vice President report and putting it into the U.S. Wheat Associate Update during Director Janice Mattson's portion of the agenda.

Chairman Schoonover called for public comment and none was offered.

The Committee reviewed the minutes of the April Budget meeting. Mattson indicated since the minutes were written indicating she would attend the Havre research station field day, she also plans to attend the Conrad research station field day, as Chairman Schoonover and Cheryl Tuck will be unable to attend.

1) M/S/C Brian Kaae/Janice Mattson – That the minutes of the April 2-3, 2007 Budget meeting be adopted, as presented.

Kolleen Spurgin verbally reviewed the financial statement and collection report for May 2007 and submitted written report for March, April and May 2007. She mentioned Montana State University still needs to submit claims totaling \$370,000 for research projects. She advised that the Agriculture In Montana Schools Teachers Workshop project had to be canceled again this year, due to lack of participants and that contract will be re-done and an extension needs to be granted for the completion of the pending poster project.

Acting Director Joel Clairmont and Kim Falcon, Executive Vice President mentioned specific expenditures paid for the State Grain Lab with MW & BC funds and included was a sprinkler system to upgrade the Lab to protect

the investment and other recent upgrades there. Expenses for marketing to insure the Lab can sustain itself were also included. Acting Director Clairmont added that it is a "new day" at the Lab, with fee schedule changes and new services and the full \$50,000 was expended from the MW & BC grant for the Lab.

In the Executive Vice President report, Falcon mentioned she, Janice and Acting Director Clairmont attended funeral services for Director Nancy Peterson and she referred to a nice tribute included in the meeting packets from the editorial page of the Great Falls Tribune. The Governor spoke at the funeral and there was a huge turnout of people from various sectors who came to pay their respects. She concluded this portion of her report by adding, "We will miss her a lot."

Regarding late-breaking budget matters, the Montana Department of Agriculture Administrator of Centralized Services, Kathy Seacat, is currently putting finalization on the Committee's spending authority and Falcon advised that the written budget stands. As an aside, Falcon mentioned a used car was purchased for \$18,000 instead of the term contract bid of \$32,000.

Falcon distributed drafts of two policies, one regarding how letters of support should be handled and the other to address the exclusion of indirect costs in all research projects. These policies will be adopted, rejected or revised at the annual MW & BC Fall meeting, with the date for this meeting to be set at the conclusion of this meeting.

Regarding travel, Falcon reiterated the need for directors to submit their travel expenses, including those associated with this meeting, as soon possible.

A list of known and anticipated upcoming out-of-state or international trips for staff was reviewed. Falcon indicated Cheryl Tuck should attend the next U.S. Wheat Associates Board meeting in Denver, as there will be a communicator's meeting. Approval for upcoming meetings is being sought to take advantage of less expensive air fares.

2) M/S/C Don Fast/Kim Holzer – That travel through November 14, the Latin American Millers Conference (ALIM) in Lima, Peru be approved for Falcon and Tuck as discussed.

Falcon distributed a list of trade team and foreign visits to the state and those planning to come. Directors who attended the recent Taiwanese Goodwill Mission commented on the valuable contacts made and good information shared. Director Don Fast, who also met with the Japanese Technical team with Falcon in Bozeman, remarked that Taiwan is interested in Hard White wheat and Japan, on the other hand, is not. Discussion was held about the importance of extraction rates and low Polyphenol Oxidase wheat. Fast also mentioned how lucky we were to have "Charlie", the new country director for USWA/Japan working for wheat producers. His background with Columbia Grain will serve the industry well.

A WestBred marketing brochure for barley that is healthful for people with diabetes was circulated. Falcon added she has had inquiries for high beta glucan malt barley.

A previously-omitted Barley Stake Holders meeting scheduled for August 9-10 in Idaho, and a Tri State meeting Janice hopes to attend in November were discussed.

3) M/S/C Brian Kaae/Janice Mattson – That the above trips be added to those previously approved for Kim Falcon to attend.

Darin Arganbright briefed the Committee on Farm Bill negotiations progress, indicating he felt much progress had been made in the leveling of the playing field with other commodities. Still of concern are budget matters. The House Agriculture Committee voted to extend the current Farm Bill. The National Association of Wheat

Growers (NAWG) still hopes to improve their position in relation to higher target prices rather than a direct payment increase.

Lola Raska indicated a dual loan rate for feed and malt barley is being proposed. She feels there are problems with this approach but it will probably need to be approved with hopes to use it as a bargaining chip later. There is a lot of movement for this re-balancing with wheat and barley in the farm bill negotiations.

MGGA has been working hard to get the Montana congressional delegation up to speed. The Senate Agriculture Committee meets on Monday, July 2. Raska distributed a handout detailing multiple bilateral Free Trade Agreements.

Raska reported Montana will be a pilot state for a scoping study for how carbon sequestration can be profitable.

MGGA will continue to work on chemical harmonization.

In initial discussion regarding the upcoming MGGA convention, Falcon interjected the Committee would like to have their 40th Anniversary dinner on the evening MGGA traditionally has their function to recognize trade show vendors. Chairman Schoonover asked if some consideration could also be given to scheduling so that, for example, a very important safety workshop session wouldn't conflict with the MW & BC's portion of the agenda. Such conflicts in the past have resulted in poor attendance at the MW & BC program and sometimes the Committee spends money to bring speakers in for these programs.

It was pro-offered that perhaps "Charlie", the new USWA/Japan country director, be invited to present for the Committee's portion of the program.

It was mentioned that, perhaps at the Fall meeting, Falcon will give her presentation on how Montana has less pesticide use than other states, recognizing the fact that pesticides, by definition, include herbicides, insecticides, fungicides, and fumigants.

Terry Whiteside briefed the Committee on where things currently stand with rail competition legislation. He indicated sponsorship of the federal Captive Rail Customer legislation has reached record levels with bills in both the House and the Senate. The Surface Transportation board has conducted a hearing on the recent GAO Grain Transportation report and will be conducting a proceeding designed to develop small rate case standards. The Alliance for Rail Competition and other consumer groups are working to bring oversight hearings in both the House and Senate. Concerns about competition and capacity, along with service, are being aired. Railroads are asking for investment tax credit and spending millions on stock buyback. Governor Schweitzer and the Montana Legislature formed a Rail Service competition Council to develop recommendations on how to increase Montana's future competitiveness. (Some states have purchased "train sets" or actual rail lines to tackle the same sorts of problems.)

Whiteside said that the stock options sought by the railroads basically would take money away from capital investment.

Regarding the Churchill Project designed to move Montana wheat up through Canada for export, Whiteside is now working with Cargill as his approach with CHS got him "absolutely nowhere".

Whiteside also commented that since shuttles don't handle pulse or rotational crops, BNSF is now seeing economic potential to get involved with container shipping and this, then, would be a situation to monitor. As an aside, Whiteside indicated Washington state is marketing white wheat by preparing extensive quality surveys

and then sending these surveys overseas, allowing potential customers to purchase containers of wheat by zip code.

Marvin Blodgett presented his "View from the Trade" report, commenting on bullish world wheat production statistics. He said it was hard to find anyone not bullish and that fact, itself, might be bearish. Stocks are very tight.

From the perspective of General Mills, they want low PPO HW wheat varieties for their White Tiger product, which it can sell for premium prices, but otherwise they are backing off of the need for hard white. He mentioned a good quality HW spring wheat variety by WestBred called Agawam.

Regarding organics, Blodgett feels this is a growing market. General Mills has purchased as much as it can in Montana and has had to buy from Canada.

General Mills had another second profitable year and yet the merchandising office in Great Falls is being moved to Minneapolis.

Chairman Schoonover stated the Committee is not going to act on Blodgett's submitted letter of resignation until the Fall Board meeting, preferring to give time to see what develops.

Acting Director Clairmont reported he was appointed Acting Director of the Department by the Governor on June 23rd following the death of Director Peterson earlier in the month. He advised most immediate contracts have been signed. The Governor has not yet indicated when he will make the permanent directorship appointment. End of fiscal year responsibilities are demanding much of Acting Director Clairmont's time. He assured the Committee that the Department will work to get the Committee's spending authority increase during the next legislative session. The only item the Department asked for in the session just ended that wasn't approved was a pesticide position.

Acting Director Clairmont had no loss figures yet for the wide-spread recent hailstorm.

Leonard Schock, current chairman of U.S. Wheat Associates, reported the biggest current concern is the relocation of the USWA/DC office complex to a Virginia condo property. It is the sense of the USWA board that buying this property would be a cost effective, budget-neutral plan. A conference call on the subject yielded twelve people in agreement. Schock also introduced Rebecca Coleman, USWA staff person working with the National Association of Wheat Growers, on trade policy issues. She stated all work in this area is geared to keeping USWA offices overseas open and marketing U.S. wheat. Korea, Peru, Panama and Colombia Free Trade Agreements are now before Congress. Coleman is also involved in monitoring WTO negotiations. She concluded her remarks with information that some phytosanitary (technical and political) issues are popping up, -- i.e., India's problems with weed seeds. Basically, USWA is trying to maintain the bigger, more mature markets while working to develop the emerging markets.

Mattson briefed the Committee on the new USWA proposal asking for additional funding to support the change in office location. The Committee broke into Executive Session to discuss details. When the Committee reconvened into the regular session, the following motion was made:

- 4) **M/S/C/ Don Fast/Kim Holzer** – That the Montana Wheat and Barley Committee appropriate, out of this current fiscal year's budget, \$25,000 for USWA, to be disbursed at the discretion of USWA budget directors on whatever project associated with the office move they deem worthwhile and this determination will be announced at the USWA meeting to be held later this week in Kalispell.

Concerning a letter Kansas sent out stating they would withhold ten percent of their budget if eleven specific concerns were not address by the USWA board, the general feeling from Alan Tracy is that approximately three-fourths of these issues are being addressed now.

Brian Kaae showed a DVD on "see Mommy run", a Wheat Foods Council promotion accentuating the inner athlete, fitness and nutrition. Regarding the "urban wheat field" promotion, the Council has decided to move this back a year as it was logistically more difficult than initially thought. The WFC also wishes to expand "Bake and Take Day" to "Bake and Take Month". Marcia Schneideman, President of the Council, is scheduled to attend this Kalispell meeting, later on this week.

Kaae suggested people check out the "What's New at NCI" section of the Northern Crops Institute web site for a detailed accounting of activities. He advised that Pat Berglund, Director, submitted her retirement request. Her last meeting will probably be in the fall of 2007. Falcon asked what would be an appropriate token of appreciation the MW & BC could give to Pat to thank her for her service to the industry.

Mattson reported on the recent National Barley Foods Council Conference call, held in lieu of the usual meeting in Spokane. Cargill asked the NBFC for its help with a new FDA claim they were seeking to put on oats to allow a higher fat content than is allowable, per serving size, now. General Mills has a Salute barley variety and Japan contracted for all of Salute acreage to come out of Idaho. Now Idaho has been asked to contract all Salute acreage for 2007 and 2008. Mattson stated the NBFC had 244,000 hits and 6,000 new visitors to its web site last month.

Mattson is seeing more cooperation with the NBFC and other industry entities. She said she left the NBFC board with the impression that the MW & BC will see how things progress and then, perhaps, fund the NBFC at a higher level. Mattson, in conclusion, mentioned that Mary Palmer-Sullivan, Executive Director of the NBFC, is now incorporated with the joint Washington Barley and Washington Wheat Commission, now known as the Washington Grain Alliance.

Don Fast briefed the Committee on U.S. Grains Council activities, mentioning a big evolution in the organization. Initially, the USGC had been devoted to the promotion of feed grains and now food barley and corn energy promotion is included. This creates new dynamics. Some industry folks feel export markets are getting less attention. Now distilled dried grains solubles (DDGSs) will replace a lot of corn in the export feed market; hence the shift to market these DDGSs. At the last USGC board meeting a statement was distributed which Fast handed out to the MW & BC board. The statement said it was determined it was not timely to pursue a national check-off. It also stated efforts to identify additional funding sources will be made to address the Council's threatened budget shortfall. The Board also determined that there is a need to inform producers about both the mission of the Council and the proven contributions it has made to increasing exports.

Falcon reported that Dr. Jeff Jacobsen ordered \$150,000 worth of equipment for the research stations. Vehicles were not part of this order.

Director Kim Holzer indicated there was no Ag in Montana Schools meeting or luncheon to report on. She intended to go to the Wheat Marketing Center Board of Directors' meeting and the ticket counter closed early, prohibiting her from being able to board the plane. She visited with David Shelton, Executive Director, WMC, to see if she could sit in on a conference call but Shelton indicated that would not be necessary. Holzer did tell Shelton that he would be receiving additional funding from the MW & BC FY2006-2007 budget. Kaae added he felt much more positive about the WMC's relationship with the new management of the building housing the WMC lab and offices.

Mattson asked the directors to come up with additional names to submit to the Governor for consideration if he appoints any new directors to positions on the MW & BC board.

A discussion was held on how to handle memorials and acknowledgement of deaths, surgeries, etc. Acting Director Clairmont will bring the written state policy to the Committee and then a Committee policy will be developed.

- 5) **M/S/C Don Fast/Janice Mattson** – That \$1,000 be donated to an established scholarship in memory of Director Nancy Peterson.

It was determined that the Fall board of Directors' meeting will be held on October 25 in Great Falls and MW & BC directors will then be able to attend the Montana Farmers Union convention and take turns manning the Committee's booth.

Chairman Schoonover adjourned the meeting at 5:00 p.m.

Kim Falcon, Executive Vice President

Date